GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:225
ANSWERED ON:14.03.2016
Oil Prices in International Market
Khan Shri Md. Badariddoza

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that there is huge fall in the crude oil prices in international markets in last few months and if so, the details thereof;
(b) whether the oil marketing companies have windfall profits, as a result thereof; and
(c) whether the Government is contemplating to reduce prices of petrol and diesel commensurately and if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS
_____(SHRI DHARMENDRA PRADHAN) _____
(a) to (c): A statement is laid on the Table of the House.
Statement referred to in reply to parts (a) to (c) of the Lok Sabha Starred Question No. 225 asked by Shri Md. Badaruddoza Khan to be answered on 14th March, 2016 regarding "Oil Prices in International Market".
(a): The monthly average price of Indian basket of crude oil since April, 2015 is given below:
($/bbl)
2015-16
April
59.07
May
63.82
June
61.75
July
56.30
August
47.33
September
46.10
October
46.68
November
42.50
December
35.68
January
28.08
February
30.53
March
34.09*
*up to 07.03.2016
(b): The Public Sector Oil Marketing Companies (OMCs) purchase crude oil based on the price in the international markets. The price of finished products in India is linked to their price in the international markets. The spread (crack margin) between the price of crude oil and petroleum products is linked to the gross profits of refineries. The overall profitability position of oil PSUs depends upon various other general and specific factors including inventory losses.
The average price of Indian Basket of crude oil and the profit reported by the OMCs during 2013-14, 2014-15 and 2015-16 (April-December), is given below:
Companies
2013-14
2014-15
2015-16
(April-December)
Indian Basket of Crude oil (US$/barrel)
105.52
84.16
50.91
Profit of Downstream oil companies/ OMCs

(Rs. in crore)
IOC
7019
5273
9163
HPC
1734
2733
2310
BPC
4061
5085
4883
During April to December, 2015, OMCs have reported inventory loss of Rs.11712 crore.
(c): The prices of Petrol and Diesel have been made market determined by the Government effective 26th June, 2010 and 19th October, 2014 respectively. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of Petrol and Diesel in line with their international prices and other market conditions. Further, Retail Selling Price (RSP) of Petrol and Diesel in the country are based on their respective international prices and OMCs are at present applying Trade Parity Pricing methodology to compute the RSP. Other cost elements in the RSP of Petrol & Diesel viz Excise Duty, BS IV premium, marketing cost and margins etc. are specific costs which do not increase/decrease with the volatility in international prices of Petrol and Diesel. The element of excise duty which is specific in nature has increased since November, 2014. Most of the State Governments also have increased VAT on Petrol and Diesel. After taking into account these factors, OMCs have passed on major portion of the decrease in price to the consumers of Petrol and Diesel.
x-x-x-x-x-x